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GOVERNOR

STATE OF MICHIGAN  
FAMILY INDEPENDENCE AGENCY  
LANSING



MARIANNE UDOW  
DIRECTOR

January 23, 2006

The Honorable Bill Hardiman, Chair  
Senate Appropriations Subcommittee on DHS  
Michigan State Senate  
State Capitol  
Lansing, Michigan 48933

The Honorable Rick Shaffer, Chair  
House Appropriations Subcommittee on DHS  
Michigan House of Representatives  
Lansing, Michigan 48933

Dear Senator Hardiman and Representative Shaffer:

Section 674 of 2005 Public Act 147 (Enrolled Senate Bill No. 271) requires the Michigan Department of Human Services (MDHS) to provide a report on plans to reduce waste, fraud and abuse in the child day care program. Details regarding the plan and implementation status of the initiatives are attached.

If you have any questions, please contact John Sorbet, Chief Administrative Officer, at 373-7787.

Sincerely,

Marianne Udow

cc: Senate and House Appropriations Committees  
Senate and House Fiscal Agencies  
Senate and House Policy Offices  
State Budget Director

## CDC INITIATIVES

### **INITIATIVE:** Child Care Provider Review

#### **DESCRIPTION:**

Review on an ongoing basis provider billings that exceed an established billing limit that puts the case at high-risk. Providers being reviewed are Family, Group, Relatives and Aides. The first pay period reviewed resulted in 23 providers having their time and attendance records reviewed. This review will continue until enough information is gathered to make a recommendation on billing caps.

Established CAPS: Group Homes >=2401, Family Homes >=1201, Relative Providers >=1001, Day Care Aides >=1001

Expected Date of Completion: January 2006

### **INITIATIVE:** Child Care Improper Payment Sampling

#### **DESCRIPTION:**

Establish criteria to identify high-risk areas by reviewing a sampling of cases. The results of this review will be used to make policy recommendations for changes to improve program integrity. There are 435 providers that meet the established criteria. Of those, 127 (40 day care aides, 49 relatives, 19 family homes, 13 group homes) will be reviewed to establish a valid sampling.

Established CAPS: Group Homes >12 kids, >1200 hours/units billed per payperiod

Family Homes >6 kids, >600 hours/units billed per payperiod

Relative Providers >6 kids, >600 hours/units billed per payperiod

Day Care Aides >6 kids, >600 hours/units billed per payperiod, >2 or more DHS cases attached

Expected Date of Completion: April 2006

### **INITIATIVE:** Review and Revise CDC Administrative Rules

#### **DESCRIPTION:**

The CDC Administrative Rules need to be revisited with an emphasis on implementing penalties for provider and client fraud.

Expected Date of Completion: June 2006

### **INITIATIVE:** Review and enhance the requirements for day care aides and relative providers and develop a training program to improve the quality of care. (2005 Business Plan)

#### **DESCRIPTION:**

Highly qualified, trained child care providers are fundamental to quality child care. Michigan has a large number of relative providers and in-home aides that currently are expected to meet only minimal enrollment requirements and no training requirements.

The program area will work to increase the enrollment requirements and training requirements to ensure the goal of the agency is being met.

Expected Date of Completion: January 2007 The Leadership Academy is currently working on this project.

### **INITIATIVE:** BRIDGES

#### **DESCRIPTION:**

**System will streamline the work from the field level and therefore allow more time for casework.**

Expected Date of Completion: 2007

### **INITIATIVE:** Expand the Front End Eligibility Pilot (FEE)

#### **DESCRIPTION:**

**This is in the process now. An additional 18 agents have been allocated to OIG.**

Expected Date of Completion: January 2006

**INITIATIVE:** Determine if a Mid-Cert Reporting process is feasible for CDC.

**DESCRIPTION:**

Review mid-cert reporting processes for other programs to see if CDC can be incorporated.

Expected Date of Completion: April 2006

**INITIATIVE: Communications Campaign to raise awareness on CDC Improper Payments.**

**DESCRIPTION:**

**Develop a campaign to raise public awareness as well as employee awareness on identifying and preventing improper payments.**

Expected Date of Completion: Ongoing

**INITIATIVE: CDC Case Reading Accuracy Pilot**

**DESCRIPTION:**

**Develop a case reading pilot that would read CDC cases for case accuracy.**

Expected Date of Completion: Proposal to be submitted in November 2005

**INITIATIVE: Proposal to change the current payment structure from hourly to weekly rates.**

**DESCRIPTION:**

**A new billing system is being developed to pay providers based on weekly full-time, school-age, or infant toddler rates versus the current hourly billing system. This policy would also require a minimum of 32 hours of employment and or educational activities for eligibility.**

Expected Date of Completion: October 2006

**INITIATIVE: Automate Client Recoupment**

**DESCRIPTION: Automate process to recoup overpayments from clients.**

**Expected Date of Completion: January 2006**

## CHILD DEVELOPMENT AND CARE EXPENDITURE TRENDS

	Subsidy Spending		Families Served		Cost Per Family (see Note 1)		Fraud Identified	Restitution	Fraud Prevention Measures (in bold) Other Events (in regular type)	
fiscal year	millions of dollars	% change	average count per month	% change	average monthly dollars	% change	dollars per year	dollars ordered per year	event	estimated yearly savings/cost avoidance
2000	\$ 417.29	7%	67,492	1%	\$ 515.23	5%	\$ 454,835	\$ 141,277		
2001	\$ 413.80	-1%	65,007	-4%	\$ 530.46	3%	\$ 691,197	\$ 241,423	Added infant/toddler incentive, 10/2000	none
									Changed authorizations from hourly to full/part-time, 8/2001	none
2002	\$ 460.96	11%	64,520	-1%	\$ 595.37	12%	\$ 3,769,511	\$ 464,316	Changed part/full-time to part/full/overtime authorizations. 8/2002	\$18.7 million (see Note 2) may be due to these two items.
2003	\$ 476.53	3%	67,123	4%	\$ 591.62	-1%	\$ 577,139	\$ 1,491,052	Added CH-420 red flag report 10/2002	
									Reduced relative care rates, 1/03	\$5.3 million (see Note 3)
									Reduced income eligibility limits, 2/03	\$10.4 million (see Note 4)
2004	\$ 488.39	2%	65,594	-2%	\$ 620.47	5%	\$ 3,389,413	\$ 902,976	Eliminated overtime hours, 10/2003	\$3.5 million (see Note 5) may be due to these two items.
									Changed to 4 authorization levels: 30, 50, 75, 100 in 4/2004	
									Reset provider billing PINs, 7/2004	\$24.7 million (see Note 6) may be due to these three items.
2005	\$ 463.67	-5%	64,881	-1%	\$ 595.54	-4%	\$ 9,234,658	\$ 3,769,991	Assigned 2 OIG agents exclusively to CDC fraud referrals, 10/2004	
									Began Reverse Wage Match, 11/2004	\$15.6 million (see Note 7)
2006	\$ 446.70	-4%	64,400	-1%	\$ 578.00	-3%	N/A	N/A	Eliminated retroactive eligibility for all except foster children, 7/2005	
									Expand Front-End Eligibility Project by adding 18 additional OIG agents, 1/2006	no projection available

Note 1: Cost per family is affected by hours paid, provider charges, provider type distribution, department pay percentages, etc.

Note 2: Paid hours per family declined by 3.93% from FY 2002 to FY 2003. Multiplying 3.93% times 2003 subsidy spending gives \$18.7 million.

Note 3: The average pay per hour for relative providers dropped 3% from calendar year (CY) 2002 to CY 2003. Multiplying 3% times relative payments in CY 2003 gives \$5.3 million.

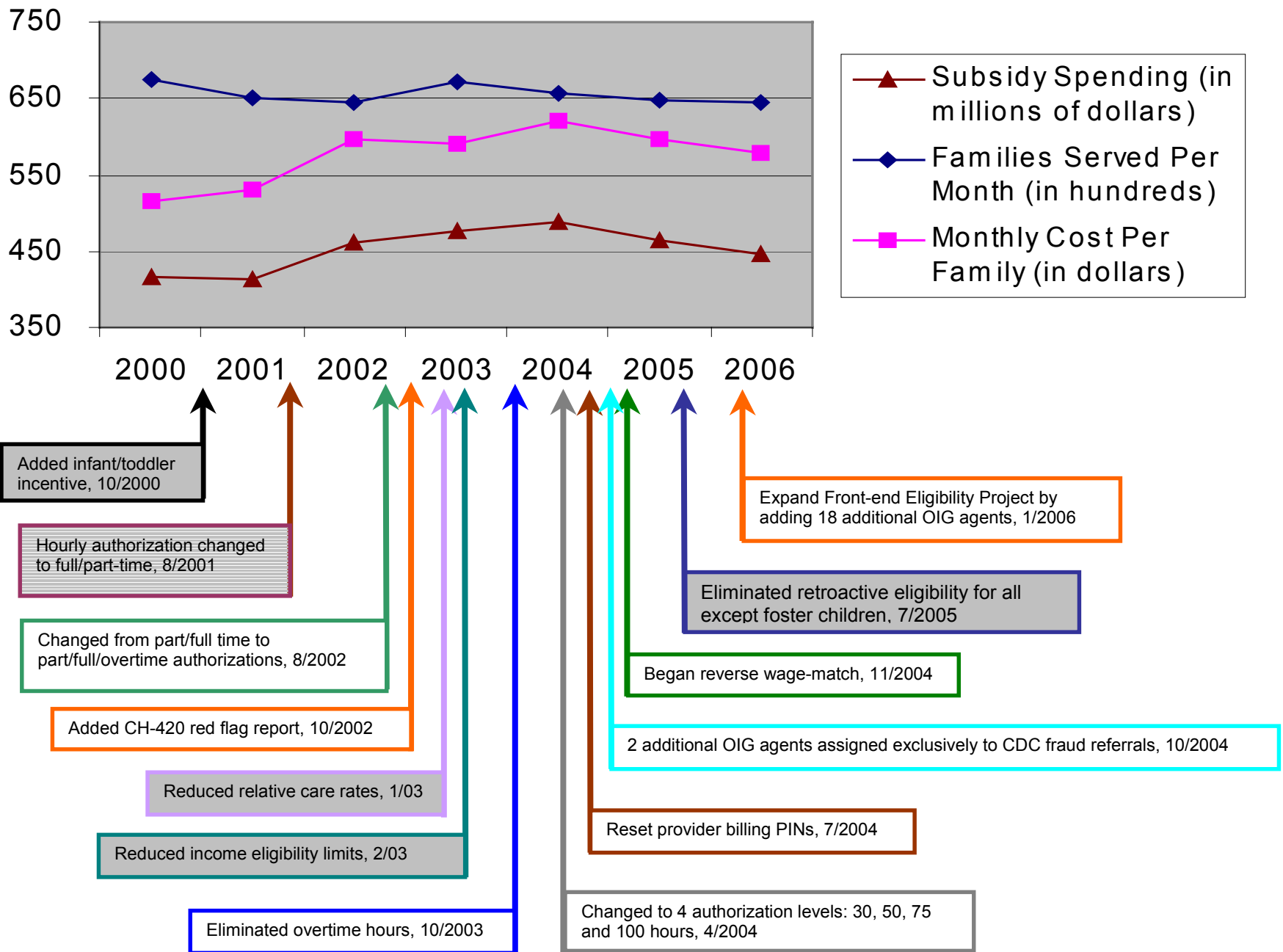
Note 4: Savings assumed to be the amount paid on cases with income greater than the new limits during the 12 months prior to the change: \$10.4 million.

Note 5: Average hours paid per family per month fell 0.72% from FY 2003 to FY 2004. Multiplying 0.72% by 2004 subsidy spending gives \$3.5 million.

Note 6: \$24.7 million is the difference between FY 2004 and FY 2005 subsidy spending.

Note 7: 2,257 cases monthly used retro payments before the change. Since retro eligibility was for 1 month, savings = average payment per case (\$578.00) X 2,257 X 12 months.

# CHILD DEVELOPMENT AND CARE TIMELINE



Note: Shading indicates change not implemented as a fraud reduction measure. No shading means the change was implemented as a fraud reduction measure.